

State of California

MEMORANDUM

DATE: February 9, 2010
TO: ACAP Task Force
FROM: Gregg Wardrip *gregg wardrip*
SUBJECT: ACAP: Limited Scope Review

The Department of Community Services and Development (CSD) Audit Services Unit (ASU) performed a limited scope review of Associated Community Action Program (ACAP) on January 27-28, 2010. The purpose of the review was to assess the ability of ACAP's accounting system to track costs applied to CSD contracts, and to verify corrective actions taken to resolve findings in audit transmittal report TR 08-083 dated December 10, 2009.

BACKGROUND

ACAP is the designated Community Action Agency (CAA) for Alameda County, excluding the cities of Berkeley and Oakland. ACAP is a public agency formed by a joint powers agreement between twelve cities and the County of Alameda to administer the Community Services Block Grant (CSBG) program. The governing board of ACAP is composed of elected officials from each member government. The Alameda County Social Services Agency serves as the fiscal agent for ACAP. Last year's allocation of CSBG funds to ACAP was \$571,226.

ISSUES

In audit transmittal report TR 08-083, CSD identified a number of findings and issues related to ACAP's accounting system. The independent auditor noted that ACAP did not maintain an adequate set of financial records. Accounting transactions were not recorded completely and consistently, and there was a lack of communication between program staff (responsible for initiating a transaction) and county accounting staff (responsible for recording the transaction). The CSD Audit Services Unit made recommendations to correct these deficiencies, including the following:

- ACAP shall maintain one complete set of books of account, independent of the county's accounting system, and ensure that all of the transactions of ACAP are properly recorded in that separate set of books.

- ACAP shall employ qualified financial staff to maintain the set of books independent of county's accounting system to ensure that all transactions of ACAP are properly recorded.

ACAP responded in a letter dated December 21, 2009 that the agency has completed all of the requirements as noted in the CSD notice of high risk designation dated August 28, 2009. ACAP submitted the required audit report for the fiscal year ended December 31, 2008 in a timely manner; however, the prior 12 annual audits were substantially late.

SUMMARY

Based upon this limited scope review, ACAP has made substantial progress in complying with the requirements of the independent auditor and CSD. It is notable that ACAP submitted the audit report for the fiscal year ending December 31, 2008 on time, has implemented a functional accounting system, and has hired qualified financial staff to maintain the accounting system.

OBSERVATIONS

CSD met with Executive Director Nanette Dillard and reviewed ACAP's accounting system and related documents and data. CSD also met with ACAP's new Business Manager, Valrie Sanders, and ACAP's financial consultant, Jennie Brick.

The agency has made significant progress on the accounting system issues identified above.

1. The agency selected a qualified financial consultant to implement improvements to the accounting system. ACAP engaged the consulting firm Pacific Training and Resources following CSD notification of intent to designate high risk dated July 9, 2009.
2. Jennie Brick, Senior Financial Consultant with Pacific Training and Resources, has worked with ACAP since August 2009 to implement accounting system improvements.
3. With the assistance of the financial consultant, ACAP completed audit ready financial reports, audit required schedules, and an audit ready trial balance for fiscal year 2008. These tasks were completed by September 30, 2009. The financial consultant also created various schedules required by the independent auditor and assisted ACAP staff and county financial staff with appropriate journal entries in accordance with generally accepted accounting principles.
4. With the assistance of the financial consultant, ACAP developed an independent accounting system based in QuickBooks software. The system includes a chart of accounts and funder codes for all existing funding sources. As required by CSD and the independent auditor, the accounting system has a chart of accounts and funder coding that mirrors the county's system so that coordinating and reconciling reports can be accomplished.

5. ACAP has hired a Business Manager as required by CSD and the independent auditor. The financial consultant participated in the screening process of multiple applicant resumes, designed a questionnaire for potential candidates, performed phone interviews with candidates, and made recommendations to ACAP management. Valrie Sanders was appointed to the position of Business Manager in December 2009.
6. ACAP is currently working on drafting a financial procedures manual to be completed in 30 days. This work includes drafting internal control procedures, accounting protocols for data entry, monitoring the implementation of the new accounting system, and monthly reconciliation with the county accounting system.
7. ACAP has contracted for ongoing technical assistance from the financial consultant to take place during the next several weeks.
8. During the visit, ASU staff reviewed expenditures charged to the 2009 CSBG contract.
9. ASU staff did not review programmatic performance and makes no opinion on the effectiveness or efficiency of ACAP's program operations.